MANITOBA LOTTERIES FOUNDATION

ANNUAL REPORT

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ABOUT THE MANITOBA LOTTERIES FOUNDATION

The Manitoba Lotteries Foundation (MLF) is the crown agency of the provincial government accountable to the Minister responsible for Lotteries. Its mandate is to manage, operate and license gaming activities within Manitoba. Its aim is to maximize long-term economic returns to the province while maintaining a high level of business integrity and social responsibility. Administered by a board of directors appointed from the community, the MLF is responsible for all lottery and gaming activities in the province, with the exceptions of raffles offering prizes under $3,000, which are licensed by municipalities and betting on horse races. A pacesetter in the gaming industry, the MLF manages and operates a year-round casino and two bingo halls in Winnipeg, a rural Video Lottery Terminal (VLT) network and licenses bingos, raffles, calcutta auctions, midways, wheels of fortune, Monte Carlo casinos and sells and distributes breakopen tickets and bingo paper throughout the province. The MLF distributes and sells tickets for lotteries operated by the Western Canada Lottery Corporation and the Interprovincial Lottery Corporation. The MLF is represented on the boards of both corporations. Through the Lotteries Distribution System, revenue from lotteries and gaming activities support health care and medical research, conservation, the arts, fitness and sports, community services, heritage, recreation, rural economic development and multicultural initiatives.

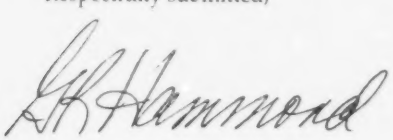
September 14, 1992

Honourable Bonnie Mitchelson
Minister responsible for Lotteries
Legislative Building
Winnipeg, Manitoba

Madam:

I have the honour to present you with the annual report of the Manitoba Lotteries Foundation for the fiscal year ended March 31, 1992.

Respectfully submitted,



Gerrie Hammond (Mrs.)
Chair
Board of Directors
Manitoba Lotteries Foundation

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REPORT OF THE CHAIR

Since launching the first Manitoba lottery twenty-two years ago, millions of dollars have been raised for a myriad of non-profit community-based organizations in the province. Community service, sport, art, multicultural, heritage, health care and medical research, recreation, rural economic development and other community support programs have benefited from gaming revenue.

Throughout Manitoba you will find local community groups who utilize gaming revenue to improve the quality of life. Amateur sport teams, museums, churches and community clubs are all beneficiaries of Manitoba's unique regulatory system, which allow these groups to raise funds by holding licensed events such as bingos, raffles and the sale of breakopen tickets.

The Manitoba Lotteries Foundation continues to ensure that the regulatory system is flexible and responsive to allow community groups to raise funds through gaming. The removal of the prize ceiling on bingo events, allowing licensees to set their own prize limits, was a major step in that direction.

In fiscal year 1991-92 the Manitoba Lotteries Foundation, in keeping with its mandate, introduced Video Lottery Terminals (VLT's) into age-controlled rural hotels and lounges. The revenues from rural VLT's are earmarked to support new rural economic development initiatives through the REDI program, administered by the Department of Rural Development. In addition to stimulating the rural economy, this new MLF initiative will also boost tourism and provide rural Manitobans with a more complete range of entertainment options.

THE MANITOBA LOTTERIES FOUNDATION CONTINUES TO ENSURE THAT THE REGULATORY SYSTEM IS FLEXIBLE AND RESPONSIVE TO ALLOW COMMUNITY GROUPS TO RAISE FUNDS THROUGH GAMING

The MLF continues to play a key role in the establishment of bilateral gaming agreements between the Manitoba Government and First Nation Governments. The Board believes that bilateral agreements are a positive step toward achieving a working relationship with First Nation Governments regarding gaming activities. These gaming agreements are also an important step in ensuring that all gaming in Manitoba is protected through uniform terms and conditions and accountability. In 1991-92 bilateral agreements were concluded with the West Region Economic Development Corporation (representing 9 First Nations), the Norway House First Nation and the Roseau River Anishinabe First Nation.

In order to meet the demands of the future, plans have been made to replace the MLF's existing bingo facilities which will improve customer service, parking, air quality, lighting and sound systems. By ensuring that MLF-operated halls keep pace with changing consumer attitudes and expectations, the bingo halls will continue to remain a principal source of fundraising for funding Umbrellas and their volunteers.

The Board thanks the staff of the MLF for their continued hard work and enthusiasm which contributed to the success of fiscal year 1991-92.

As a Board, we look forward to carrying out our mandate and meeting the challenges created by a rapidly evolving industry. Our focus for the new fiscal year remains to serve our customers well, to maintain the integrity of the gaming industry in Manitoba, to generate revenues from gaming activities and improve the quality of life for Manitobans.

G.K. Hammond

Mrs. Gerrie Hammond
Board Chair
Manitoba Lotteries Foundation

REPORT OF THE PRESIDENT & CEO

During the 1980's, Lotto 6/49 caught the public's fancy and increasingly bigger multi-million dollar prizes kept people lining up to play. This resulted in double-digit annual growth rates. While still very popular and representing over half of the traditional lottery business, revenue from Lotto 6/49 has stabilized. The introduction of new tickets, such as the $2.00 Bingo instant ticket and the experimentation with higher prize pay-outs and multiple games, has helped push up revenue. However, the fact remains that supply and demand for wagering are coming into balance for traditional games in established markets.

As the 1990's unfurl, the Manitoba Lotteries Foundation recognizes that diversification (developing a product mix that segments the market), is the only sure road to continuing financial health. In November 1991, the MLF took a major step down that road with the introduction of Video Lottery Terminals (VLT's) into rural hotels and lounges. The player appeal of VLT's is such that its revenue potential can rival that of the traditional lottery market.

Diversification also requires capital investment. It has been recognized that the existing MLF bingo facilities have a number of deficiencies with respect to the availability of parking, nature of lighting, seating and sight-lines, as well as heating, cooling and ventilation systems. While other leisure sectors such as beverage rooms and restaurants upgraded facilities, bingo was in danger of being left behind. The MLF is preparing to change the image of bingo with a planned replacement of its facilities. The emphasis will be firmly placed on satisfying customer needs, easy access, plentiful parking and facilities for the physically challenged. The modern clubs will retain their regular customers and will also attract a new clientele, giving the industry a solid base on which it can build in the future.

THE MANITOBA LOTTERIES FOUNDATION CONSISTENTLY REVIEWS, ANALYZES, INCORPORATES CHANGING CONSUMER EXPECTATIONS AND REFINES THE PROCESS, SO THAT GAMING PRODUCTS AND SERVICES IMPROVE

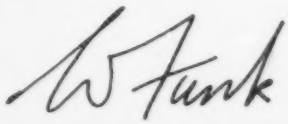
Process improvement describes a quality strategy that the MLF is implementing. Process improvement, at its heart, means that one is always searching for ways to improve procedures for producing and distributing lottery products and gaming services. The MLF consistently reviews, analyzes, incorporates changing consumer expectations and refines the process, so that gaming products and services improve.

During fiscal 1991-92, this MLF quality strategy resulted in the addition of slot machines and the introduction of two new table games at the Crystal Casino, telemarketing and the implementation of on-line validation of instant tickets to enhance security and reduce overhead costs.

A key role played by the MLF is to provide an accessible, sensitive, customer service oriented licensing system enabling charitable organizations in Manitoba to raise funds and maximize profits through volunteer-operated activities. Charitable gaming continues to grow in fiscal 1991-92, with gross revenue increasing by approximately $10 million or 8%.

The Manitoba Lotteries Foundation is committed to developing and maintaining a competitive marketing edge through the delivery of exceptional service. The importance of providing good service to our customers has been intensified as a result of increasing competition originating south of the border. We believe the trend towards excellence-in-service is one that must continue.

The annual report describes a successful year during which the Manitoba Lotteries Foundation achieved a net income of approximately $72 Million. The loyalty and dedication of the many people comprising the MLF contributed immeasurably to that achievement.



Mr. Bill Funk
President & CEO
Manitoba Lotteries Foundation

VIDEO LOTTERY TERMINALS

Video Lottery Terminals (VLT's) were introduced into rural hotels and lounges in November 1991 in an ongoing effort to boost the rural economy.

As of March 1992, approximately 1,200 VLT's were installed in 225 age-controlled locations throughout rural Manitoba. This exciting form of entertainment was an immediate "hit" with players and siteholders. The tremendous player appeal, in turn, generates large revenues which support new rural economic development initiatives through the REDI program, administered by the Department of Rural Development.

The terminals are controlled by a central computer hub, located in the new Video Lotto Division building in Morris, Manitoba. This central site communicates with the remote video lottery terminals in age-controlled licensed hotels and lounges via telephone lines and provides full electronic management and accounting capabilities for the province.

The MLF has been at the forefront in developing this new gaming concept. From its humble start in midwestern America, video lottery today embraces installations in Canada, the United States, Australia and Europe. The Manitoba model is recognized for generating widespread interest and has established itself as role-model for other jurisdictions.

VLT'S OFFER AN EXCITING NEW FORM OF ENTERTAINMENT

Brandon Mayor Rick Borotsik places a coin into a Video Lottery Terminal officially launching VLT's in rural Manitoba.

BREAKOPEN TICKETS

Breakopen tickets are a source of instant fun and prizes for players. The MLF remains a leader in the design and development of breakopen products. The creation of special event theme tickets, the design of the first-ever two-sided breakopen ticket, exploration of new markets, innovative sales and effective distribution channels, contributed to a 19% increase in sales.

During 1991-92, the MLF introduced 12 new breakopen games, ranging in price from $0.25 to $2.00. Breakopen tickets are sold at MLF-operated bingo halls, licensed bingo events and special events. During the 1990-91 year, the MLF test-marketed breakopens at ten lottery ticket centres. As a result of widespread player acceptance, breakopen tickets are now sold at 28 lottery ticket centres.

This past year the MLF also introduced the first two-sided breakopen ticket, named **Double Cross.** A new breakopen design, **Breakopen Bingo,** depicting a bingo theme on a square instead of rectangular-shaped ticket, was created. The MLF's creativity is showcased in the development of special event theme tickets such as: **Vive les Voyageurs,** for Manitoba's celebrated Festival du Voyageur and **Grey Cup,** which coincided with the 1991 Grey Cup Championship Football Game in Winnipeg.

The **Fun'n Fitness** ticket was created for the Manitoba Marathon. Based on an athletic theme, players could win prizes of athletic merchandise. These special event games have received a major sales boost from being sold at licensee outlets and at the venues they were designed to support.

THE MLF IS A LEADER IN THE DESIGN OF BREAKOPEN TICKETS

The MLF produced the first environmentally friendly breakopen ticket this past year with **Fun'n Fitness.** This concept was expanded so now all MLF breakopen tickets are 100% recyclable - recycled paper, vegetable based dyes and organic adhesive are used in the production process.

The new fiscal year will focus on exciting new game concepts, double-sided and die-cut tickets, new special event themes and the development of circular breakopen tickets.

Proceeds from breakopen ticket sales go directly to the non-profit organizations selling the breakopen tickets at MLF-operated bingo halls, licensed bingo events and special events.

BINGO HALLS

A perennial favourite in the gaming industry, bingo is a pleasurable social activity and an ideal fund-raiser for non-profit organizations.

The MLF operates two bingo halls in Winnipeg – Bonanza Bingo and Pot O'Gold Bingo. Profits from both halls are channelled directly into the community through funding Umbrellas such as the Manitoba Arts Council, Multicultural Grants Advisory Council, Manitoba Community Services Council, the Manitoba Heritage Federation and the Manitoba Sports Federation. These funding Umbrellas coordinate participation in MLF bingo events by organizations within their jurisdictions. Volunteers from those organizations assist MLF staff with the operation of the bingo events.

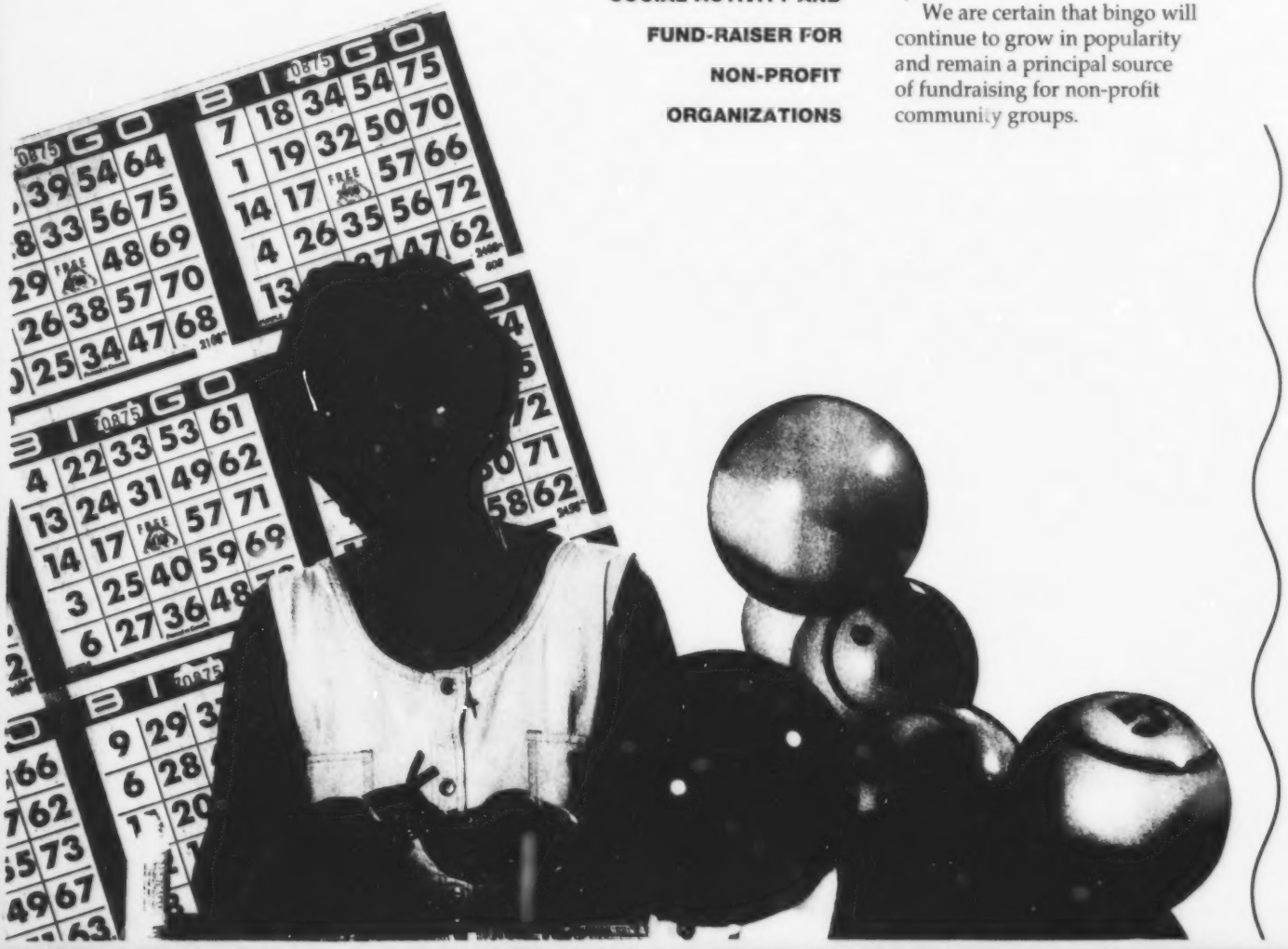
Open all but seven days of the year, the MLF halls hosted 1,910 bingo events in 1991-92. These included Share the Wealth bingos – in which the size of the cash prizes depends on the number of players.

While bingo in its present form continues to be a popular form of entertainment and an excellent fund-raiser, the MLF is exploring new variations of the game.

Plans are underway to replace the existing facilities in order to provide enhanced customer service and security, additional products and improved parking, air quality, lighting and sound systems.

We are certain that bingo will continue to grow in popularity and remain a principal source of fundraising for non-profit community groups.

BINGO IS A POPULAR SOCIAL ACTIVITY AND FUND-RAISER FOR NON-PROFIT ORGANIZATIONS



CRYSTAL CASINO

Amid the Crystal Casino's quiet elegance and grandeur, customers are entertained by an array of fascinating table games and colourful slot machines.

The Crystal Casino, the first of its kind in Canada, opened its doors to the public on December 29, 1989. Based on European design, the Casino is both "classically continental" and uniquely Canadian in concept.

Located in Winnipeg's historic Hotel Fort Garry, the Casino offers approximately 400 playing positions. There are 26 table games including Baccarat, La Boule, Roulette, Pai Gow Poker, Super Pan 9 and Blackjack, as well as 216 exciting slot machines, either as stand alone games or in progressive jackpot links, featuring Keno, Reel, Roulette, Derby, Video Blackjack, Bingo and Poker.

More than 170 employees staff the Casino, including dealers, inspectors, cashiers, security, slot machine and office personnel.

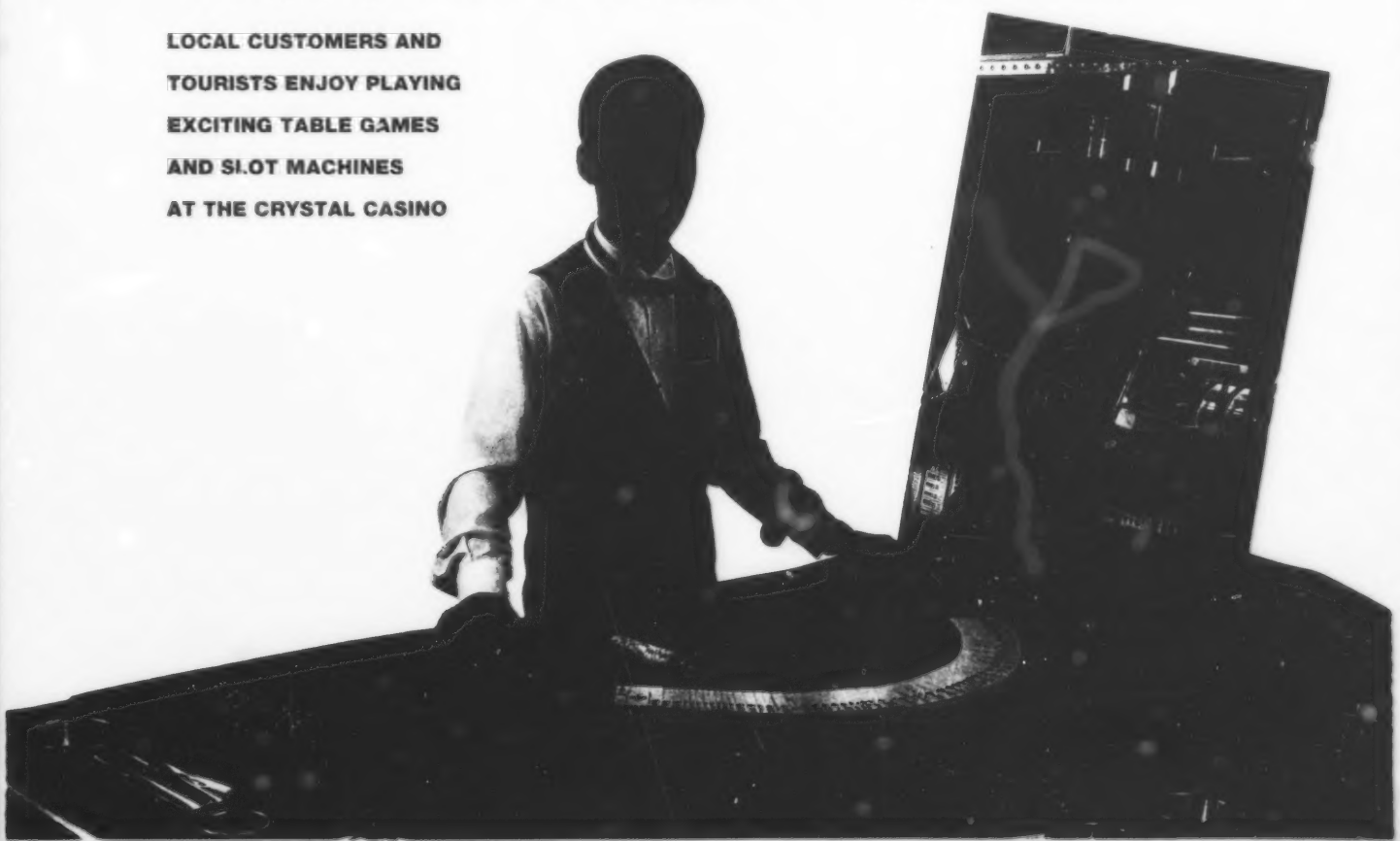
Successful since its opening, the Crystal Casino welcomed its one-millionth customer in the summer of 1992 and is a "must see" for visitors to Winnipeg. The 1,766 sq. metre facility has the capacity to hold 700 guests at any one time.

The Casino is a popular entertainment option for local players and tourists. Approximately twenty-five percent of players are visitors from outside of Winnipeg. Competition for players, primarily from casinos in Minnesota, is intensifying. The Crystal Casino will keep pace with these changes in the marketplace to ensure it continues as a mainstay of Manitoba's entertainment options.

Closely monitored by other gaming jurisdictions and capturing the attention of national media, the Crystal Casino is highly regarded as a model within the Canadian gaming industry. There is no doubt that the Crystal Casino is Canada's premier casino.

Proceeds generated at the Crystal Casino support Manitoba's Health Services Development Fund for health promotion and disease prevention initiatives.

LOCAL CUSTOMERS AND TOURISTS ENJOY PLAYING EXCITING TABLE GAMES AND SLOT MACHINES AT THE CRYSTAL CASINO



LOTTERY TICKETS

The MLF is an active partner in the Western Canada Lottery Corporation (WCLC), a regional marketing organization responsible for the development and conduct of lotteries in the Prairie Provinces and Territories. Manitoba, Saskatchewan and Alberta participate as full members in the WCLC, while the Yukon and the Northwest Territories are associate members.

The MLF is the sole distributor of lottery products in Manitoba and is responsible for the development and maintenance of an effective retailer network for the sale of lottery tickets. Over 1,000 retailers participate in the network and assist the MLF in providing lottery product throughout the province.

The retailer network is a vital link between the MLF and its customers. Technological and operational changes were implemented this year to enhance efficiency, security and customer service. The installation of bar-code readers provides for the on-line validation of winning instant tickets at lottery ticket centres and enhances financial tracking and security. Next year's plans call for the immediate tracking of instant tickets from printer to retailer and improvement in product ordering and inventory control.

The Canadian lottery industry has reached a mature level. The MLF, in conjunction with the WCLC, participated in the development of exciting new lottery products, like the new $2.00 Bingo instant ticket, which renewed interest in the instant product line.

Sport Select continues its player appeal with the addition of OVER/UNDER to the game. The MLF also increased the number of retail outlets offering Sport Select in order to expand its customer base.

THE NEW $2.00 BINGO INSTANT TICKET HAS RENEWED INTEREST IN THE INSTANT PRODUCT LINE

SECURITY AND LICENSING

Behind the scenes of fun and excitement at the Crystal Casino, the Bonanza and Pot O' Gold bingo halls, the playing of Video Lotto, lottery tickets and other games of chance, MLF Security and Licensing staff ensure the integrity of all MLF-managed and licensed gaming activities in Manitoba.

Licensing personnel provide advice and assistance to community groups seeking to raise funds through gaming. They also ensure the equitable processing of lottery license applications for bingo events, raffles, calcutta auctions, midways, wheels of fortune, Monte Carlo casinos and the sale of breakopen tickets. The MLF takes pride in being the only regulatory gaming agency in Canada to provide a consultancy service to licensees.

To be more responsive to the marketplace, the MLF removed the prize limit on bingo events in January of 1992. Non-profit community organizations can now determine their own prize limit.

The MLF works cooperatively with First Nation Governments to establish bilateral gaming agreements. These agreements give the First Nations exclusive licensing authority to manage and conduct specified lottery schemes on their lands.

Ongoing discussions with First Nations in Manitoba, have resulted in the creation of three additional First Nation Gaming Commissions in 1991-92 with: the West Region Economic Development Corporation, representing 9 First Nations (May 1991); the Norway House First Nation (June 1991); and Roseau River Anishinabe First Nation (March 1992). As of March 31, 1992, four First Nation Gaming Commissions have been established representing 12 First Nations.

Crane River First Nation Chief John McDonald, representing the West Region Economic Development Corporation; the Honourable James Downey, Minister responsible for Native Affairs; and the Honourable Bonnie Mitchelson, Minister responsible for Lotteries, sign the West Region Gaming Agreement.

GAMING AGREEMENTS GIVE THE FIRST NATIONS EXCLUSIVE LICENSING AUTHORITY TO MANAGE AND CONDUCT SPECIFIED LOTTERY SCHEMES ON THEIR LANDS

ENRICHING THE LIVES OF MANITOBANS

Manitoba's gaming revenue continues to support a wide range of non-profit community organizations including the arts, community service, conservation, heritage, multiculturalism, recreation, amateur sport, community support and health related programs.

The Lotteries Distribution System is a flexible, accountable and accessible mechanism for the coordination of funding. It represents a cooperative effort of government departments such as: the Department of Rural Development, Department of Health, Department of Natural Resources, Department of Culture, Heritage and Citizenship, and the Department of Industry, Trade and Tourism;

as well as funding Umbrellas and Community Support Programs.

Funding Umbrellas are representative bodies which distribute gaming revenue to groups which fall within their jurisdiction. Community Support Programs include major tourism events and professional sports groups. Revenue is also utilized directly by government departments for their program areas.

Funds allocated in 1991-92 for the Department of Health's program areas included Health Policy Evaluation and Research Initiatives, the Children's Hospital Research Foundation, the Manitoba Health Research Council and the Health Services Development Fund.

Manitoba's Health Services Development Fund is supported by funds generated by the MLF's Crystal Casino. This fund was created to reduce long-term health care costs in Manitoba through innovative programming, acquisition of vital medical equipment, health promotion and disease prevention. Some of the projects included the Magnetic Resonance Imaging (MRI) Utilization Study at the University of Manitoba and the Ambulatory Cardiovascular Education Program at Brandon General Hospital.

Funds allocated in 1991-92 for programs under the Department of Natural Resources included the Special Conservation Fund and Endangered Species Fund.

Allocation of funds for programs and funding Umbrellas under the auspices of the Department of Culture, Heritage and Citizenship included, the Manitoba Community Places Program, Manitoba Arts Council, Multicultural Grants Advisory Council, Manitoba Heritage Federation and Manitoba Community Services Council.

The Department of Industry, Trade and Tourism's program areas included the Sport Directorate, Fitness Directorate and Capital Grants for major sport facilities.

PHOTO COURTESY CANADA PARKS SERVICE

GAMING REVENUE ENRICHES THE LIVES OF MANITOBANS IN THE ARTS, COMMUNITY SERVICE, CONSERVATION, HEALTH, HERITAGE, MULTICULTURALISM, RURAL ECONOMIC DEVELOPMENT AND IN AMATEUR SPORT

PHOTO COURTESY ST. BONIFACE GENERAL HOSPITAL RESEARCH CENTRE

Allocation of funds for Community Support Programs in 1991-92 included the Lotteries Distribution System, Festival du Voyageur, Folk Arts Council, Friends of Winnipeg Pro Soccer, United Way of Winnipeg, Valley Agricultural Society (Manitoba Stampede), Winnipeg Football Club and Capital Grants – the Keystone Centre.

Gaming revenue is hard at work in a variety of vital ways throughout Manitoba virtually every day of the year. Revenue generated from the Video Lottery Terminal Program in rural Manitoba is funding new rural economic development initiatives through the REDI Program. The REDI program will focus on commercially viable economic development that has long-term benefits for communities. The sale of breakopen and lottery tickets, the operation of Bonanza and Pot O'Gold Bingo Halls, the Crystal Casino, Video Lottery Terminals, and the licensing of gaming activities, all provide funds that ultimately enrich the lives of Manitobans.

MANITOBA ARTS COUNCIL/ MANITOBA ARTS GAMING FUND COMMISSION

The **Manitoba Arts Council** is the designated organization to distribute lottery revenues for the arts. It is an agency of the Province of Manitoba and is directed by 15 government-appointed members. Its broad mandate is to promote the study, enjoyment, production and performance of works in the arts.

The Council provides support to professional arts organizations and to individuals in dance, music, theatre, and the visual and literary arts. Specific criteria are outlined in its more than forty program guidelines.

The lottery revenues are shared on a 75/25 ratio between the Manitoba Arts Council and its lottery allocations committee, the **Manitoba Arts Gaming Fund Commission.** The Arts Gaming Fund is operated under the mandate of the Manitoba Arts Council. All of the funds distributed by the Manitoba Arts Gaming Fund Commission are gaming-based.

The Commission applies its portion of the revenues towards capital projects, special endeavours, tours and aspects of operations.

A broad range of not-for-profit charitable arts organizations including professional arts organizations, provincial arts associations and community amateur arts groups may apply to the Commission.

MANITOBA COMMUNITY SERVICES COUNCIL

The **Manitoba Community Services Council (MCSC)** was established in 1984 as a funding Umbrella of the Lottery Funding System.

The role of its volunteer board is to allocate gaming funds and/or bingo events for projects and services of non-profit community service, social service, recreation and health-related organizations.

MCSC guidelines are broad, in order to respond to the changing needs of Manitoba communities.

MULTICULTURAL GRANTS ADVISORY COUNCIL

The **Multicultural Grants Advisory Council (MGAC)** was established to give advice and recommendations to the Government of Manitoba through the Minister of Culture, Heritage and Citizenship with respect to the distribution of lottery funds to the multicultural communities. Its aim is to promote and maintain the cultural values of Manitobans and to develop understanding, appreciation and sharing of the diverse cultural values that enrich Manitoba and Canada.

MGAC is an arm's length funding Umbrella, comprised of a 15-member government appointed board, responsible for processing grant applications from Manitoba's multicultural community organizations and determining grant allocations. The amount of support is based on the availability of funds, the need of applicants and the ability of applicants to make effective use of the funds available. Eligible organizations may apply for operational funding, special projects or capital projects. Priorities are given to Manitoba-based activities of an intercultural nature; upgrading of technical, administrative and management skills of volunteers, members and staff; and community and organization development strategies. Funding assistance may be provided for up to 50% of the eligible budget submitted and could either be in the form of cash, bingos or a combination of both.

MANITOBA HERITAGE FEDERATION

The **Manitoba Heritage Federation** was established in 1985 as the funding Umbrella responsible for distributing gaming revenue to organizations or individuals whose aims are to preserve Manitoba's heritage. The Federation promotes, encourages, develops and maintains a forum in which organizations can share their common interest in Manitoba's heritage. Grants are extended to the heritage community for the continued development and promotion of heritage projects and programs throughout the province.

MANITOBA SPORTS FEDERATION

The **Manitoba Sports Federation (MSF)** is the designated funding Umbrella for amateur sport in the province. It represents 96 associations ranging from sport governing bodies, such as provincial hockey and swimming associations, to regional sport organizations.

The mandate of the MSF is to encourage participation in sport at all levels of skill and to develop athletes of a national and international calibre. The Federation also plays a major role in the advocacy and promotion of amateur sport in Manitoba.

For further information about where the money goes in Manitoba contact:

LOTTERIES DISTRIBUTION SYSTEM
204-177 Lombard Avenue
Winnipeg, Manitoba R3B 0W5
Phone: (204) 945-0216
or Toll Free: 1-800-282-8069 Ext. 0216

FINANCIAL REVIEW

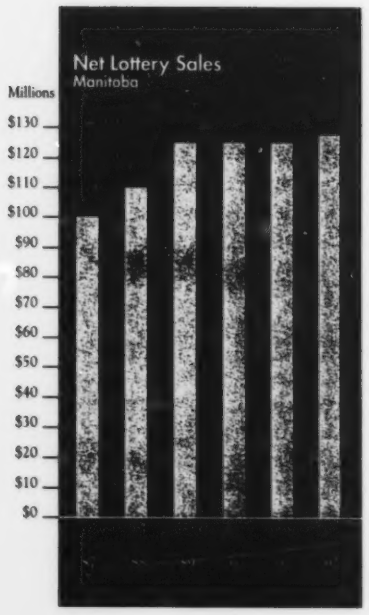
The following review presents data and comments on the MLF's financial position and results of operations for the fiscal year 1991-92. It should be read in conjunction with the financial statements which follow.

The MLF recorded net income of $72.0 million for the fiscal year ended March 31, 1992. This was a $11.1 million increase or 18.3% above the net income achieved in the previous year.

The Goods and Services Tax totalled $2.4 million, with one-half of that amount generated by lottery activity.

NET LOTTERY REVENUE

Net lottery revenue increased by $1.3 million or 2.8%. The Canadian lottery industry has reached a mature state. Lotto 6/49 sales account for over 50% of total lottery sales. The Western Express, Provincial, Special Event, Instant Tickets and Daily Deal all experienced a decline in sales. However, the first full year of Sport Select, the increased popularity of "The Plus", and the replacement of Lotto 6/36 with Pogo, resulted in a 2.4% increase in total lottery sales.



LOTTERY SALES

(in $ Million)

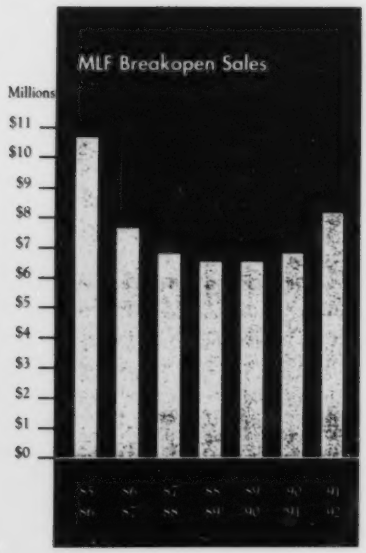
PRODUCT	1991 -1992	1990 -1991	INCREASE (DECREASE)	PERCENTAGE CHANGE
Western Express	$ 6.1	$ 6.4	$ (0.3)	(4.7) %
Provincial	2.5	4.0	(1.5)	(37.5) %
Sport Select	11.0	4.5	6.5	144.4 %
Instant Tickets	25.5	28.5	(3.0)	(10.5) %
Lotto 6/49	66.7	67.4	(0.7)	(1.0) %
Pogo	4.2	3.6	.6	16.7 %
Special Event	1.6	1.7	(.1)	(5.9) %
The Plus	10.7	8.8	1.9	21.6 %
Daily Deal	.9	1.3	(0.4)	(30.8) %
TOTAL	$ 129.2	$ 126.2	$ 3.0	2.4 %

NET CASINO REVENUE

The Crystal Casino's net revenue for the year amounted to $13.7 million, a $5.2 million increase from the previous year.

This increase was due to the addition of 41 slot machines bringing the total to 216, the introduction of two new table games, Super Pan 9 and Pai Gow Poker, increased customer services and the closing of the casino operation for 70 days during fiscal 1990-91, due to a labour dispute.

The Crystal Casino is proving to be a major success with attendance totalling 425,000 in 1991-92.



NET BINGO AND BREAKOPEN PRODUCT REVENUE

The total net bingo and breakopen product revenue increased from $5.2 million in 1991 to $5.5 million in 1992.

Breakopen ticket sales increased by 18.7%. The introduction of special event theme tickets, exploration of new markets, increase in prize payout levels to customers and the availability of breakopen tickets at additional retail outlets contributed to this sales increase.

Bingo paper sales remained constant due to a price reduction in bingo paper sold to licensees.

Direct expenses associated with selling breakopen tickets and bingo paper increased by $376,000 due to the first full year of the Goods and Services Tax. Other factors included the costs associated with the additional warehouse space required to accommodate the increased volume and associated delivery costs.

NET VIDEO LOTTERY REVENUE

The Video Lottery Terminal Program was successfully launched on November 15, 1991. As of March 31, 1992, approximately 1,200 VLT's were installed in 225 locations in rural Manitoba. Net revenue generated during this start-up period amounted to $4.9 million.

NET BINGO HALL REVENUE

The net revenue generated by the MLF's two bingo halls in Winnipeg increased by 3.9% to $4.7 million. Average attendance at evening bingos has remained constant over the last year at both MLF halls. The revenue increase is due to additional bingo events and an increase in per capita spending for the regular evening events.

Direct expenses associated with the operation of the two bingo halls increased by 8.3%. This was due to increased maintenance costs, which reflect the age of the facilities and equipment, increased staffing costs associated with operating the additional weekly events and the first full year of the Goods and Services Tax.

NET BINGO HALL REVENUE (Continued)

Charitable community organizations were scheduled through funding Umbrellas to participate at specific bingos. The organizations provided volunteers to assist in the operation of bingo events and earned funds directly from those events.

NET LICENSE FEE REVENUE

Overall gross revenue generated by MLF-licensed lotteries, such as bingos, breakopen tickets sales, calcutta auctions, Monte Carlo casinos, raffles (with prizes over $3,000) and media bingo, increased from $121.0 million in fiscal 1990-91 to $130.9 million this fiscal year. This is a $9.9 million or 8.2% increase. Bingo revenue increased $8.3 million or 12.7%, breakopen revenue increased $1.2 million or 2.7% and raffle revenue increased $.4 million or 3.7%.

As a result of the increases in bingo, raffle and calcutta auction revenue, the license fees collected by the MLF increased by $130,000 and net revenue increased by $40,000 or 14.8%.

LICENSED EVENTS

(in $ millions)

Events	Licenses	Gross Revenue	Prizes Paid	Total Expense	Net Profit
Bingo	734	$ 73.6	$ 52.6	$ 10.1	$ 10.9
Breakopen	808	45.7	31.2	5.9	8.6
Raffle	177	11.3	4.4	2.1	4.8
Other	92	.3	.1	.1	.1
Total	1,811	$ 130.9	$ 88.3	$ 18.2	$ 24.4

GENERAL AND ADMINISTRATION EXPENSES

As a percentage of total revenue, this year's general and administration expenses represented 5.1%, a slight increase over last year's percentage of 5.0%.

The major reason was an increase in professional fees of $344,000. These fees included the successful defence of a major lawsuit and an Operational Review of the MLF.

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Foundation are properly safeguarded. Staff of the Provincial Auditor's Office review internal controls and report their findings to management and the Board.

The responsibility of the Provincial Auditor and his staff is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Audit Committee of the Board meets with management, the Provincial Auditor and his staff to satisfy itself that each group has properly discharged its respective responsibility and to review the financial statements before approving them. The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

Bill Funk
President & CEO

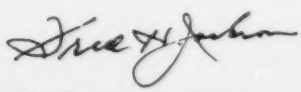
Peter Hak, Director
Finance and Administration

To the Legislative Assembly of Manitoba

We have audited the balance sheet of the Manitoba Lotteries Foundation as at March 31, 1992 and the statements of changes in fund accounts, operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1992 and the results of its operations and changes in its financial position for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.



Winnipeg, Manitoba
July 2, 1992

F. H. Jackson, C.A.
Provincial Auditor

AT MARCH 31,1992
(IN THOUSANDS)

		NOTES	1992	1991
ASSETS				
Current Assets				
	Cash	3	$ 10,436	$ 5,970
	Accounts receivable	4	6,885	3,233
	Inventories	5	644	634
			17,965	9,837
Fixed Assets		6	15,783	8,080
			$ 33,748	$ 17,917
LIABILITIES AND FUND ACCOUNTS				
Current Liabilities				
	Accounts payable and accruals	7	$ 5,502	$ 2,652
	Due to the Government of Manitoba		9,638	4,290
	Due to organizations		164	675
			15,304	7,617
Accumulated Pension Benefits			2,181	1,748
Fund Account Balances			16,263	8,552
			$ 33,748	$ 17,917

On behalf of the Board,

Director & Chair
of the Audit Committee

Director & Chair
of the Board

See accompanying notes to financial statements.

FOR THE YEAR ENDED MARCH 31,1992
(IN THOUSANDS)

		SCHEDULES	1992	1991
Revenue				
	Lottery	1	**$ 46,242**	$ 44,972
	Casino	2	**13,687**	8,531
	Bingo and breakopen products	3	**5,471**	5,151
	Video lottery	4	**4,913**	—
	Bingo halls	5	**4,734**	4,556
	License fees	6	**310**	270
	Interest income		**490**	555
	Other income		**43**	59
			75,890	64,094
Expenses				
	General and administration	7	**3,872**	3,204
Net Income			**$ 72,018**	$ 60,890

See accompanying notes to financial statements

FOR THE YEAR ENDED MARCH 31,1992
(IN THOUSANDS)

	CASINO	BINGO HALLS	VIDEO LOTTERY	GAMING	GENERAL	1992	1991
Balance - Beginning of Year as restated	$ 2,361	$ 1,191	$ —	$ —	$ 5,000	**$ 8,552**	$ 7,361
Net income	13,687	4,734	4,913	48,684	—	**72,018**	60,890
	16,048	5,925	4,913	48,684	5,000	**80,570**	68,251
Less:							
Grants to organizations	16	4,397	—	—	—	**4,413**	4,230
Allocations to the Government of Manitoba	14,514	—	—	45,380	—	**59,894**	55,469
	14,530	4,397	—	45,380	—	**64,307**	59,699
Balance - End of Year	$ 1,518	$ 1,528	$ 4,913	$ 3,304	$ 5,000	**$16,263**	$ 8,552

See accompanying notes to financial statements.

FOR THE YEAR ENDED MARCH 31,1992
(IN THOUSANDS)

	1992	1991
Cash provided by operating activities		
Net income	$ 72,018	$ 60,890
Non-cash charges to income:		
Depreciation and amortization	2,184	1,661
Deferred pension benefits	433	432
	74,635	62,983
Net changes in working capital items	(812)	721
	73,823	63,704
Cash distributions:		
The Government of Manitoba	(54,546)	(55,928)
Organizations	(4,926)	(8,394)
Cash used in investment activities		
Purchase of fixed assets	(9,885)	(1,112)
Increase (decrease) in cash balance during the year	4,466	(1,730)
Cash balance, beginning of year	5,970	7,700
Cash balance, end of year	$ 10,436	$ 5,970

See accompanying notes to financial statements.

FOR THE YEAR ENDED MARCH 31,1992
(IN THOUSANDS)

		1992	1991
Revenue			
	Lottery sales	$ 129,164	$ 126,209
	Less: Cost of sales	80,729	79,492
		48,435	46,717
	Interest and other	1,351	1,811
		49,786	48,528
Expenses			
	Advertising and promotion	109	177
	Depreciation and amortization	39	37
	Goods and Services Tax	31	11
	Health and education tax	25	24
	Postage and telephone	29	17
	Rentals, repairs and maintenance	62	42
	Salaries and benefits	1,162	1,191
	Sundry	46	47
	Travel	157	143
		1,660	1,689
		48,126	46,839
	Payment to the Government of Canada	1,884	1,867
Net Revenue		$ 46,242	$ 44,972

FOR THE YEAR ENDED MARCH 31,1992
(IN THOUSANDS)

		1992	1991
Revenue			
	Casino	$ 21,845	$ 15,141
Expenses			
	Advertising and promotion	834	687
	Depreciation and amortization	1,451	1,309
	Goods and Services Tax	166	46
	Health and education tax	90	74
	Postage and telephone	57	53
	Professional fees	67	69
	Rentals, repairs and maintenance	637	495
	Salaries and benefits	4,220	3,282
	Security	256	246
	Sundry	100	82
	Supplies and printing	192	196
	Travel	88	71
		8,158	6,610
Net Revenue		$ 13,687	$ 8,531

FOR THE YEAR ENDED MARCH 31,1992
(IN THOUSANDS)

		1992	1991
Revenue			
	Bingo paper sales	$ 2,556	$ 2,536
	Less: Cost of sales	1,944	1,875
		612	661
	Breakopen ticket sales	8,254	6,953
	Less: Cost of sales	2,533	2,098
		5,721	4,855
Expenses			
	Advertising and promotion	58	48
	Cartage	165	141
	Depreciation and amortization	16	2
	Goods and Services Tax	417	41
	Rentals, repairs and maintenance	105	47
	Salaries and benefits	89	75
	Sundry	12	11
		862	365
Net Revenue		$ 5,471	$ 5,151

FOR THE YEAR ENDED MARCH 31,1992
(IN THOUSANDS)

		1992
Revenue		
	Video lottery	$ 8,913
Expenses		
	Advertising and promotion	77
	Bank and interest	96
	Cartage	42
	Commission	1,782
	Depreciation and amortization	352
	Goods and Services Tax	702
	Health and education tax	5
	Postage and telephone	80
	Professional fees	63
	Rentals, repairs and maintenance	159
	Salaries and benefits	301
	Sundry	143
	Supplies and printing	90
	Travel	108
		4,000
Net Revenue		$ 4,913

Note: VLT operations commenced on November 15, 1991

FOR THE YEAR ENDED MARCH 31,1992
(IN THOUSANDS)

		1992	1991
Revenue			
	Bingo paper sales	$ 13,842	$ 12,632
	Less: Prizes	8,647	7,940
	Cost of sales	425	399
		4,770	4,293
	Breakopen ticket sales	7,169	7,480
	Less: Prizes	5,040	5,172
	Cost of sales	659	663
		1,470	1,645
	Refreshment concessions	207	199
		6,447	6,137
Expenses			
	Advertising and promotion	53	44
	Depreciation and amortization	86	107
	Goods and Services Tax	91	13
	Health and education tax	14	14
	Rentals, repairs and maintenance	530	502
	Salaries and benefits	698	660
	Security	65	63
	Shortages	105	101
	Sundry	46	50
	Supplies and printing	25	27
		1,713	1,581
Net Revenue		$ 4,734	$ 4,556

FOR THE YEAR ENDED MARCH 31,1992
(IN THOUSANDS)

		1992	1991
Revenue			
	License fees	$ 1,274	$ 1,144
Expenses			
	Advertising and promotion	2	1
	Depreciation and amortization	7	7
	Health and education tax	18	16
	Salaries and benefits	848	772
	Sundry	15	4
	Supplies and printing	11	14
	Travel	63	60
		964	874
Net Revenue		$ 310	$ 270

FOR THE YEAR ENDED MARCH 31,1992
(IN THOUSANDS)

		1992	1991
Expenses			
	Advertising and promotion	$ 55	$ 126
	Board of directors	96	63
	Cartage	14	12
	Depreciation and amortization	233	199
	Health and education tax	38	34
	Pension	458	410
	Postage and telephone	145	115
	Professional fees	499	155
	Rentals, repairs and maintenance	193	181
	Salaries and benefits	1,787	1,684
	Sundry	216	109
	Supplies and printing	119	104
	Travel	19	12
Total Expenses		$ 3,872	$ 3,204

FOR THE YEAR ENDED MARCH 31,1992

NOTE 1

ESTABLISHMENT OF THE FOUNDATION AND NATURE OF OPERATIONS

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act.

The Manitoba Lotteries Foundation, as an agent of the Government of the Province of Manitoba, is responsible for the overall conduct and management of all lottery schemes in Manitoba, except for raffles with prizes under three thousand dollars. The Foundation may issue licenses to organizations to hold lottery schemes, in which case the Foundation carries out a supervisory and compliance control.

The Foundation works cooperatively with the Western Canada Lottery Corporation (WCLC) and sells and distributes all lottery tickets in Manitoba. The WCLC is responsible for designing lottery games, printing lottery tickets, determining winning numbers, paying out prizes, as well as other administrative responsibilities as determined by the member provinces.

The Manitoba Lotteries Foundation conducts and manages bingo and breakopen ticket lotteries at two bingo halls. The Foundation also conducts and manages the Crystal Casino, rural casinos and the video lotteries in the Province of Manitoba, as well as the sale and distribution of bingo paper and breakopen tickets.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue and expenses recognition

Revenue and expenses are recorded on an accrual basis except for licensing revenue, which is recognized on a cash receipts basis, and lottery revenue, which is recorded as of the draw date for each ticket.

(b) Fixed assets and depreciation

Fixed assets are recorded at cost.

Furniture and equipment are depreciated on a straight-line basis over 5 years.

Building is depreciated on a straight-line basis over 20 years.

Leasehold improvements are amortized over the term of the lease.

(c) Pension costs

Employees and officers of the Foundation are pensionable under the Civil Service Superannuation Fund (the Fund) and make contributions to the Fund at prescribed rates. The Foundation is required to pay 50% of the pension disbursements made to retired employees. It is the policy of the Foundation to charge to administrative expense the employer's portion of pension benefits, including the amortization of any experience gains or losses, earned by employees. Experience gains or losses are amortized on a straight line basis over ten years. The unamortized balance of the experience loss at March 31, 1992 is $123,820. Pension costs are calculated on an indexed basis in accordance with a formula contained in the actuarial report prepared as of December 31, 1989.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES
continued

d) Fund accounts

The Foundation maintains specific fund accounts in order to recognize restrictions placed on the use of resources. The Balance Sheet combines the assets and liabilities of all the funds.

(i) Gaming Fund

The Gaming Fund account reflects the revenues and expenses of all lottery operations, except for casinos, bingo halls and video lotteries.

The funds in this account are payable to the Government of Manitoba.

(ii) Casino Fund

The Casino Fund account reflects the revenue and expenses of the casinos operated by the Foundation. The Casino Fund account is charged with all the direct expenses of operating the casinos. There is no allocation of indirect expenses. The funds are payable to the Health Services Development Fund of the Government of Manitoba.

(iii) Bingo Hall Fund

The Bingo Hall Fund account reflects the revenue and expenses of the bingo halls operated by the Foundation. The Bingo Hall Fund account is charged with the direct expenses of operating the bingo halls. There is no allocation of indirect expenses.

The funds are payable to funding Umbrellas and/or community organizations that participated in the bingo events.

(iv) Video Lottery Fund

The Video Lottery Fund account reflects the revenue and expenses of the video lotteries operated by the Foundation. The Video Lottery Fund account is charged with all the direct expenses of operating the video lotteries. There is no allocation of indirect expenses. The funds are payable to the Rural Economic Development Initiative Program of the Government of Manitoba.

(v) General Fund

The General Fund account reflects $5,000,000 retained by the Foundation for working capital and investment in fixed assets.

NOTE 3

CASH

(in thousands)	1992	1991
Consists of cash as well as term deposits with the Minister of Finance.		
Cash	$ 3,436	$ 4,470
Term deposits	7,000	1,500
	$ 10,436	$ 5,970

NOTE 4
ACCOUNTS RECEIVABLE

(in thousands)	1992	1991
Western Canada Lottery Corporation	$ 5,557	$ 2,804
Trade	981	172
Accrued interest	78	8
Miscellaneous	269	249
	$ 6,885	$ 3,233

NOTE 5
INVENTORIES

(in thousands)	1992	1991
Inventories are valued at the lower of cost or net realizable value.		
Lottery tickets	$ 7	$ 9
Bingo paper	207	247
Breakopen tickets	328	378
Video lottery spare parts	102	—
	$ 644	$ 634

NOTE 6
FIXED ASSETS

(in thousands)	COST	ACCUMULATED DEPRECIATION AND AMORTIZATION	1992 NET BOOK VALUE	1991 NET BOOK VALUE
Land	$ 1,515	$ —	$ 1,515	$ 1,345
Furniture and equipment	15,087	3,970	11,117	3,498
Building	1,930	531	1,399	1,378
Leasehold improvements	3,728	1,976	1,752	1,859
	$ 22,260	$ 6,477	$ 15,783	$ 8,080

NOTE 7
ACCOUNTS PAYABLE AND ACCRUALS

(in thousands)	1992	1991
Casino jackpot provision	$ 227	$ 262
Western Canada Lottery Corporation	13	2
Trade	4,082	1,546
Government of Manitoba	1,180	842
	$ 5,502	$ 2,652

NOTE 8

PAYMENT TO GOVERNMENT OF CANADA

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000,000, adjusted for inflation, to the Federal Government. The Province of Manitoba's share for the 1992 fiscal year is $1,885,160 (1991 - $1,866,946).

NOTE 9

ACCOUNTING CHANGE

In 1992 the Manitoba Lotteries Foundation changed its method of accounting for accrued vacation. Accrued vacation is now recorded in the financial statements. Previously the value of the earned benefit was unrecorded and disclosed in a note. This change has been applied retroactively. The effect of the change is to reduce 1992 net income by $127,000 and 1991 net income by $376,000. This resulted in accounts payable being increased at March 31,1992 by $503,000.

NOTE 10

LEASE OBLIGATIONS AND COMMITMENTS

The future minimum rental payments relating to operating leases are as follows:

	(in thousands)
1993	$ 560
1994	459
1995	255
1996	102
1997	102
	$ 1,478

A significant portion of the leases are for facilities or rental of equipment.

NOTE 11

CONTINGENCIES

Various legal actions have been commenced against the Foundation and the Foundation or its insurers are defending against all claims. While the outcome of these claims cannot be determined, management is of the opinion that the outcome will not have a material adverse effect on the Foundation's financial position.

No provision has been made in the accounts of the Foundation in respect to these claims as at March 31, 1992.

MANITOBA LOTTERIES FOUNDATION
BOARD OF DIRECTORS

April 1, 1991 to March 31,1992

(Mrs.) Gerrie Hammond, Chair
Winnipeg

Nellie Allen
Winnipeg

Ken Cooper
Winnipeg

Maxwell Davidson
Minnedosa

Lynn Filbert
Winnipeg

Ruth Gales
Winnipeg

Emily Konopelny
Winnipeg

Gordon Mitchell
Flin Flon

Les Parry, Vice-Chair
Winnipeg

Howard W. Robinson
Winnipeg

Jane Smith
Winkler

Bob Solmundson
(resigned May 24, 1991)
Winnipeg

Claudia Weselake
Winnipeg

Bill Wilton
(resigned June 13, 1991)
Brandon

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